

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

RECEIVED

JUL - 7 2003

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

\_\_\_\_\_  
In the Matter of )  
)  
)

Request for Review )  
)  
)

by Integrity Communications )  
)  
)

of the Decision of the )  
Universal Service Administrator )  
\_\_\_\_\_ )

CC Docket No. 97-21

CC Docket No. 96-45

**PETITION FOR REVIEW**

**Integrity Communications, Inc.**

Walter Steimel  
Tracie Chesterman  
Greenberg Traurig  
800 Connecticut Ave., NW  
Suite 500  
Washington, D.C. 20006

Its Counsel

July 7, 2003

No. of Copies rec'd  
1st ASODE

042

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

**RECEIVED**

JUL - 7 2003

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

\_\_\_\_\_  
In the Matter of )  
)  
)

Request for Review )  
)

by Integrity Communications, Ltd. )  
)

of the Decision of the )  
Universal Service Administrator )  
\_\_\_\_\_ )

CC Docket No. 97-21

CC Docket No. 96-45

**PETITION FOR REVIEW**

*Integrity Communications, Ltd. ("Integrity"), by its counsel, hereby requests that the Commission review de novo the attached Decision (Exhibit A) of the School and Libraries Division ("SLD") of the Universal Service Administrative Company ("USAC") pursuant to 47 C.F.R. § 54.719 and § 54.723.*

**I. INTRODUCTION**

Integrity Communications seeks review of SLD's decision granting Point Isabel Independent School District's ("Point Isabel") Service Provider Identification Number ("SPIN") change. The SLD's decision was made and sent to Integrity on May 5, 2003, therefore, this appeal is timely and submitted within the time period set forth by the Commission.

**II. SUMMARY OF FACTS AND ARGUMENT**

Integrity is a service provider of equipment for voice, video and data communications, including internal connections, and operates throughout the state of Texas. On January 14., 2002, Integrity responded to Point Isabel's Year 5, Form 470 requests for Internal Connections for five sites. Integrity followed all local, state, and USAC rules and procedures for competitive bidding. Integrity submitted a bid proposal to Point Isabel along with two other vendors.

After the 28-day period to submit and consider bids, Point Isabel chose Integrity as the most overall cost effective solution. Integrity submitted to Point Isabel both its bid, during the proper period, and a one page confirmation of the bid being accepted by Point Isabel. Point Isabel executed this initial agreement to use Integrity and to submit Integrity as the winning bidder under its competitive bidding procedure. The countersigned acceptance of Integrity's bid is attached hereto as Exhibit B ("Agreement"). The Agreement was executed on January 16, 2002.

The Agreement is a binding acceptance of Integrity's bid. Neither the agreement nor Integrity's underlying bid contained provisions for SPIN changes. At no time has Integrity stated that it is or was willing to transfer its contract with Point Isabel to any another service provider. In fact, the Agreement contains the express provision that "these services offered are *solely contingent* on Point Isabel I.S.D. receiving SLD E-rate funding for this project." (emphasis added)

After signing the Agreement, Point Isabel submitted its Form 471s to SLD in order to apply for E-rate Program funding for Funding Year 2002-2003 ("Year Five funding"). Within the Form 471s, Point Isabel designated Integrity as the service provider it was going to utilize for internal connections for the e-Rate program.

Point Isabel had to respond to various selective review questions from SLD which delayed SLD processing and approving the final funding commitment decisions. Point Isabel was also called upon to clarify its intentions regarding its adoption of Integrity's proposal. It is clear from Point Isabel's submissions that it believed that it had entered into a binding commitment with Integrity. We have attached the relevant documents hereto as Exhibit C.

After SLD notified Point Isabel and Integrity that funding requests had been approved for Year Five projects, Integrity attempted to communicate with Point Isabel technology personnel to fully discuss the funded projects. At that time, Point Isabel informed Integrity that Avnet had approached Point Isabel about considering a VoIP solution. Integrity informed Point Isabel technology staff that the Year Five solution it had placed out for bid was a PBX system, and not the solution being pushed by Avnet. Integrity further explained that the particular equipment it offers has the capabilities of implementing VoIP technology, as well, and that there were no advantages to the Avnet system. In any event, Point Isabel had already chosen Integrity and it was too late for Avnet to come in after the fact and change its bid in an effort to undo the initial decision.

Subsequently, Integrity attempted to set up meetings with Point Isabel's Superintendent and Business Manager along with the technology personnel in order to fully discuss the funded project. Point Isabel's technology personnel would not permit a meeting, so Integrity was never able to address any concerns, nor discuss any modifications, if necessary, under the SLD program guidelines. Integrity was also prohibited from addressing Avnet's proposed solutions or issues raised by Avnet, thereby denying Integrity the precise open communications supposed to be guaranteed by the open bid process.

Shortly thereafter, on April 4, 2003, Integrity received a letter from Point Isabel requesting a SPIN change due to the fact that it wanted to use Avnet as its service provider for an allegedly more cost effective technology. Neither the modified costs nor new technologies were proposed during the initial request for proposals, and other bidders had no opportunity to respond to these changes made by Point Isabel after the fact.

In the attached letter from Viet Le of Avnet, to the undersigned, dated April 29, 2003, (Exhibit D) Avnet insists that “the School Districts concluded that they did not have a binding contract with Integrity and thus were free to retain Avnet as their service provider. The School Districts reached this conclusion on their own....” It is apparent, however, that Point Isabel believed that it had a binding agreement, as that is what Point Isabel represented to USAC, and is, in fact, the case under applicable federal and Texas law.<sup>1</sup>

Comparing letters from Avnet and an attorney representing Point Isabel shows that other factors may have been in play. In a letter from an attorney for Point Isabel, Kevin O’Hanlon, to the undersigned dated April 23, 2003, (Exhibit E), Mr. O’Hanlon stated that the reason for Point Isabel’s change of heart was that Avnet’s prices were lower, while Avnet indicated that Point Isabel “liked Avnet’s proposed solutions.”

We believe that price was never the issue, as the SPIN change submitted by Point Isabel made no change to the pricing. To the extent that Avnet proposed to Point Isabel to make its installation for less money, it would seem that there is money which is improperly being taken from USAC. The SPIN change proposed by Point Isabel did not modify the total dollars being paid by USAC – if there are cost savings those should be indicated in the amount of funding being provided by USAC, and in the discount which should be paid by Point Isabel. We believe that the FCC should investigate whether Avnet has engaged in the improper diversion and use of funds.

Whether price or technology is an issue, the facts are that Integrity won the competitive bidding over Avnet, and that Integrity does not permit SPIN changes. The actions of Avnet and

---

<sup>1</sup> Avnet seems to rely on the fact that the school district had determined that there was no binding agreement as justification for Avnet’s actions. Avnet, however, should have made this determination on its own and, seeing that the school district had already filed with the FCC, refrained from interfering in Integrity’s contract. As USAC has already found that there was a binding agreement, Avnet knowingly interfered with Integrity’s contract, and cannot hide behind its assumption of what the school district believed.

Point Isabel nullify the entire competitive bidding process. If competitors can go in after the fact and change the bidding results, then the program rules containing the bidding procedure rules are a nullity and have no purpose. The FCC may as well abandon the competitive bidding and binding agreement provisions of its rules.

For the same reasons we believe that the actions of Avnet are improper. It is clear that after losing its initial attempt to win the Year Five bid with Point Isabel, it continued to attempt to do through the back door what it could not achieve by following the program rules. The FCC should prohibit this type of anti-competitive action. Integrity also questions whether Avnet can continue to change its proposal to Point Isabel in order to get it to change its SPIN designation – essentially completely changing what Point Isabel initially requested – thereby denying all bidders the opportunity to bid on the same package.

Integrity also questions the basis for VoIP solutions to PBX needs. The FCC does not permit the use of VoIP to transmit voice calls off of the school's network, or to use VoIP to save on communications costs. As a consequence, we question the entire basis for the installation of VoIP equipment, which does not have the same functionality as PBXs, in order to satisfy phone system and PBX routing needs. As a consequence, Avnet's solution is a response to a different need than that noted by Point Isabel.

Pursuant to the FCC's *Copan Order*<sup>2</sup>, the only time SPIN changes are permitted is when an applicant certifies that (1) the SPIN change is allowed under its state and local procurement rules; (2) under the terms of the contract between the applicant and its original service provider;

---

<sup>2</sup> *Request for Review of Decision of the Universal Service Administrator by Copan Public Schools, Copan, Oklahoma*, Order, File No. SLD-26231, CC Dockets No. 96-45, 97-21, FCC 00-100, 15 FCC Rcd 5498 (rel. March 16, 2000) (*Copan Order*).

and (3) the applicant has notified its original service provider of its intent to change service providers.

The instant SPIN change should not be permitted by USAC for the following reasons. First, Point Isabel's actions are a breach of the legally binding agreement entered into between Integrity and Point Isabel.<sup>3</sup> This agreement does not provide for a SPIN change under any circumstances. Second, the posted Service of Function on Point Isabel's original Form 470 clearly requests one solution (PBX) and now another vendor is violating the competitive bidding process by offering a different solution (VoIP) after the bidding process is over in order to persuade Point Isabel to effect a SPIN change. Finally, we note that when Integrity contacted the Client Technical Service Bureau of SLD regarding this situation, Integrity was informed that the circumstances may be grounds for possible Code 9 reports against Avnet and Point Isabel due to their attempt to abuse USAC program rules by taking clear advantage of the SPIN change requirements.

### **III. CONCLUSION**

Due to the fact that Integrity and Point Isabel had a legally binding agreement, which did not provide for *SPIN* changes, and the actions of Point Isabel and Avnet are a clear violation of the Agreement, Integrity formally requests an immediate decision reversing the SPIN change. In addition, Integrity requests that all equipment and services, which were subject of the contract between Point Isabel and Integrity, be accepted by the FCC as legally binding and legitimate.

Integrity also asks the Commission to stay any funding of the SPIN change in order to preserve the status quo of the parties until a final determination, and in order to prevent the possible improper diversion of funds noted above. Integrity invested significant time and cost

---

<sup>3</sup> The Form 471 Instructions (December 2002) states that there must be a signed contract OR a legally binding agreement between the school district and its service provider. See page 20, explanation of signed contract. As stated earlier, Integrity and Point Isabel entered into an legally binding agreement on January 16, 2002.

into its agreement with Point Isabel -- in assisting in obtaining funding, making its initial plans for the installation of the equipment and obtaining equipment after the commitment was received. The SPIN change has caused irreparable harm to Integrity. Integrity also asks the FCC to investigate the actions of Avnet in this matter, and provide any sanctions which are necessary and appropriate in order to preserve the integrity of the USAC program.

Respectfully submitted,

**INTEGRITY COMMUNICATIONS**

By: 

Walter Steimel, Jr.  
Tracie Chesterman  
Greenberg Traurig  
800 Connecticut Ave., NW  
Suite 500  
Washington, D.C. 20006

Its Counsel

## EXHIBIT A

## **Chesterman, Tracie (Assoc-DC-TelCom)**

---

**Subject:** FW: Spin Change Confirmation for FY5 - 471# 313544 Multiple FRNs

-----Original Message-----

From: SLDClients Operations  
[mailto:SLDClientsOperations@sl.universalservice.org]  
Sent: Monday, May 05, 2003 10:16 AM  
To: sburleigh@integritycd.com  
Subject: Spin Change Confirmation for FY5 - 471# 313544 Multiple FRNs

A request to change/correct the Service Provider on the following  
Funding Request(s) (FRN) was granted.

You were listed as the original Service Provider on this FRN(s). As you  
are no longer listed as the Service Provider on the FRN(s) listed below,  
please change your records.

THIS E-MAIL IS FOR ADVISORY PURPOSES ONLY. REPLIES WILL  
NOT BE RECEIVED. IF YOU HAVE QUESTIONS REGARDING THE  
SUBJECT OF THIS ADVISORY E-MAIL, PLEASE CALL OUR CLIENT  
SERVICE BUREAU AT 1-888-203-8100.

Applicant:  
POINT ISABEL INDEP SCH DIST  
202 PORT RD  
PORT ISABEL, TX 78578

Contact: Francisco J. Paredes Phone: (956) 943-0000

Form 471 Application Number: 313544  
Funding Request No. (FRN): 832939  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$39,956.08  
Disbursement Amount: \$0.00  
CAP Remaining: \$39,956.08  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 832962  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$243,403.45  
Disbursement Amount: \$0.00  
CAP Remaining: \$243,403.45  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 832996  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$246,530.49  
Disbursement Amount: \$0.00  
CAP Remaining: \$246,530.49  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 833013  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$135,118.52  
Disbursement Amount: \$0.00  
CAP Remaining: \$135,118.52  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 833033  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$152,497.56  
Disbursement Amount: \$0.00  
CAP Remaining: \$152,497.56  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 833067  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$79,950.85  
Disbursement Amount: \$0.00  
CAP Remaining: \$79,950.85  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 833100  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$105,582.78  
Disbursement Amount: \$0.00  
CAP Remaining: \$105,582.78  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 833115  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$83,793.04  
Disbursement Amount: \$0.00  
CAP Remaining: \$83,793.04  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 833128  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$80,669.32  
Disbursement Amount: \$0.00  
CAP Remaining: \$80,669.32  
Date of Change: 4/11/2003  
A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

Funding Request No. (FRN): 833144  
Original Service Provider: Integrity Communication Solutions  
Original SPIN: 143018592  
Original Commitment Amount: \$83,715.89  
Disbursement Amount: \$0.00  
CAP Remaining: \$83,715.89  
Date of Change: 4/11/2003

A Form 486 has been filed for this FRN: No  
This FRN includes Non-Recurring Services: Yes

## EXHIBIT B



## Binding Agreement

Acceptance by Point Isabel I.S.D. either verbally or in writing of this proposal from *Integrity Communications Ltd.* to Point Isabel I.S.D. will constitute a binding agreement between *Integrity Communications Ltd.* and Point Isabel I.S.D. Submission of form 471 to SLD with *Integrity Communications Ltd.* name and Spin included will suffice for confirmation of a binding agreement and a contract to perform all agreed on and funded work or services. All services, terms and conditions of said proposal, as well as any modifications, changes or adjustments agreed on by both parties will be adhered to within the 2002 - 2003 E-rate funding timeline as per SLD time lines and windows.

It's further understood that part or the entire project is negotiable in terms of brand names, services, price and terms and conditions. A follow up meeting between Point Isabel I.S.D. and *Integrity Communications Ltd.* personnel is requested to discuss functions, prices, terms and conditions of attached proposal, but not required if all stated terms and conditions are acceptable by Point Isabel I.S.D. personnel.

It's further understood by *Integrity Communication Ltd.* that these services offered are solely contingent on Point Isabel I.S.D. receiving SLD E-rate funding for this project.

Integrity Communications

  
Integrity Authorized Signature

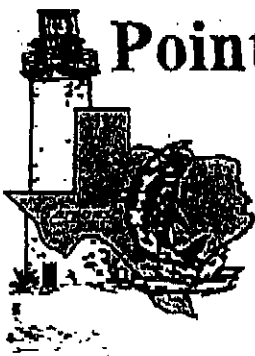
Date 1-16-02

Point Isabel I.S.D.

  
Authorized Signature

Date 1/16/02

**EXHIBIT C**  
**(Only Relevant Portions Attached)**



# Point Isabel Independent School District

P.O. Drawer AH  
Port Isabel, TX 78578  
(956) 943-0000  
Fax: (956) 943-0014

05/17/2002

Dear Mr. Gruber,

Selective Review Information Request Form 471 # 313544  
Here is the information requested:

- 1) **Copies of all contracts relating to Form 471 #313544**  
*see Binding agreement*
  - 2) **Copies of all requests for proposals**  
Form 470
  - 3) **Copies of all bids received**  
Three – see attached
  - 4) **Documentation indicating how and why you selected the service provider selected; evaluation process and the factors used to determine the winning contract.**
- See Attached Outline of Process – Policy followed was done in the context of the following purchasing Procedures:
- a) Point Isabel ISD filed a Form 470 according to program rules, regulations, and guidelines. This was posted on the SLD Website for the FCC established mandatory bidding 28-day waiting period. Point Isabel ISD adhered to the required 28 days before entering into any agreements for requested services.
  - b) Point Isabel ISD conformed to applicable local and state procurement regulations and local procurement and bidding policies.
  - c) Point Isabel ISD uses the purchasing services of the GSC and QISV vendors approved list as provided by Texas State Code 2254.003 Selection of Provider; Fees
    - I. A governmental entity may not select a provider of professional services or a group or association of providers or award a contract for the services on the basis of competitive bids submitted for the contract or for the services, but shall make the selection and award:
      1. On the basis of demonstrated competence and qualifications to perform the services and
      2. For a fair and reasonable price

11. The professional fees under the contract.

1. Must be consistent with and not higher than the recommended practices and fees published by the applicable professional associations; and
2. May not exceed any maximum provided by law.

Evaluation Process and factors used to determine the winning contract:

- 1) ONE Vendor for PBX and data network project for project uniformity, convenience and efficiency of warranty services and response.
- 2) The superiority of the features in the Inter-Tel PBX
- 3) Texas General Commission QISV Vendor
- 4) One Call Solution-7days a Week/24 Hours a day/365 Days a year
- 5) Inter-Tel PBX Applications met needs of School
- 6) Staff Degreed in education, computer science and educational administration
- 7) Recommendation from other School Districts
- 8) Response Time of Hour turn-around to dispatch technicians to site
- 9) Product Distributor with certified technicians on staff.

Point Isabel I.S.D.

- 5) **Copies of any consulting agreements.**  
None - no consultant was hired.

- 6) **Correspondence between the consultant/service provider and the school/library regarding the competitive bidding process and the application process**  
None - no consultant was hired.

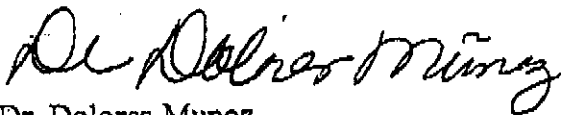
- 7) **Your Technology Plan**  
See attached

- 8) **Fax Back Pages 1-4**  
See attached

- 9) **Letter of Agency or agreement if responder is authorized representative of the eligible entity if required.**  
None - No agency is authorized to represent Point Isabel Independent School District

I appreciate your time regarding this matter and should you have further questions you may contact me directly.

Sincerely,



Dr. Dolores Munoz  
Superintendent, Point Isabel I.S.D.

## EXHIBIT D



Viet V. Le  
viet.le@avnet.com

Direct line: 480-643-7114  
Direct fax: 480-643-7199

April 29, 2003

**VIA FACSIMILE - (202) 331-3101**

Walter Steimel  
GREENBERG TRAURIG  
800 Connecticut Avenue, N.W., Suite 500  
Washington, D.C. 20006

Re: Integrity Communications

Dear Mr. Steimel:

I write in response to your letter dated April 16, 2003 accusing Avnet, Inc. of intentional interference with contractual relationships between your client, Integrity Communications, and two school districts in Texas: West Oso School District and Point Isabel Independent School District (the "School Districts"). Having investigated your allegations, Avnet vigorously denies any wrongdoing in connection with Integrity's relationships with the School Districts.

Avnet and its affiliates have conducted business with school districts in Texas for many years and have participated in the Federal E-Rate program since its inception in 1998. Avnet is not a new comer to this industry, but a well-known player with a solid reputation. We take exception to your unfounded allegations and unjustifiable attempt to hold Avnet liable for the School Districts' dissatisfaction with your client.

You have not presented any evidence to demonstrate that Avnet willfully or intentionally induced the School Districts to terminate their contractual relationships, if any, with Integrity. When the School Districts realized that the products and services proposed by Integrity might not be the best solution for their long term technology plan, they chose to engage in discussions with Avnet regarding our services. At the School Districts' request, we presented Avnet's available solutions. The School Districts liked Avnet's proposed solutions and was happy with our performance record. For that reason, they made a deliberate decision to change their service provider.

Contrary to your assertion, Avnet did not "instruct" the School Districts to falsify information that they submitted to the SLD relating to their request for a SPIN change. The School Districts were responsible for determining if they met the guidelines to request an operational SPIN change. After consulting with their counsel, the School Districts concluded that they did not have a binding contract with Integrity and thus were

Walter Steimel  
Page 2

free to retain Avnet as their service provider. The School Districts reached this conclusion on their own, with advice from their counsel, and without any "instruction" or improper inducement from Avnet.

Integrity's claim for tortious interference with an existing contract is not supportable under the circumstances. To succeed on its claim under Texas law, Integrity must show (1) an existing contract subject to interference, (2) a willful and intentional act of interference with the contract, (3) that proximately caused Integrity's injury, and (4) caused Integrity actual damage. *Prudential Ins. Co. of Am. v. Fin. Review Servs., Inc.*, 29 S.W.3d 74 (Tex. 2000). Integrity cannot even satisfy the first two elements.

First, it is not conclusive that a contract exists between the School Districts and Integrity. Avnet understands that the School Districts believe they had not entered into a binding contract with Integrity. They apparently have taken the position that they are free to make an operational SPIN change in favor of Avnet.

Second, even if a contract existed between Integrity and the School Districts, Avnet's interference with such a contract is tortious only when it is intentional or willful. *Browning-Ferris, Inc. v. Reyna*, 865 S.W.2d 925, 927 (Tex. 1993). Integrity must show that Avnet knowingly induced the School Districts to terminate their contracts with Integrity. Merely entering into a contract with a party with the knowledge of that party's contractual obligations to someone else is not the same as inducing a breach of contract. *Browning-Ferris*, 865 S.W.2d at 927. There is no evidence that Avnet actually induced the School Districts to terminate their business relationship with Integrity.

You also suggested that Avnet may be involved in an "improper diversion of program payments" with the installation of a different, less expensive solution than Integrity's proposed solution. Your suggestion shows a lack of understanding of the SLD's guidelines relating to SPIN changes and service substitutions. The approval of a SPIN change by the SLD, by itself, does not permit a substitution in the products or services to be supplied. The new service provider is required to use the same bill of materials and the same capped award amount as the original service provider. Before the new vendor can supply products or services that deviate from those specified in the Form 471 application, either the vendor or the school districts must request a service substitution. Such a request is granted in limited circumstances where the proposed service substitution meets five specific conditions specified in guidance from the FCC:

1. The substituted services or products have the same functionality as the services or products contained in the original proposal.
2. The substitution does not result in an increase in price.
3. The substitution does not violate any contract provisions or state or local procurement laws.

Walter Steimel

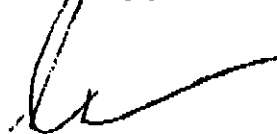
Page 3

4. The substitution does not result in an increase in the percentage of ineligible services or functions.
5. The substitution is consistent with the establishing Form 470 posting and the original RFP, if any.

If the requested substitution involves a decrease in cost, the request must have attached to it an *unambiguous statement* of the new cost. The SLD treats any cost change as a request for modification of the funding commitment and will adjust the funding commitment accordingly. Thus, there is no opportunity for Avnet or any new service provider to "improperly divert" program payments, as you suggested.

Avnet has not violated any laws in connection with our business relationship with the School District. We, therefore, reject your unreasonable demands. Should Integrity initiate any legal action, Avnet will defend itself vigorously and will ultimately show that there is no merit to Integrity's claims.

Sincerely yours,



Viet V. Le  
Associate General Counsel

VVL:ss

cc: Point Isabel Independent School District  
West Oso School District  
USAC, Schools and Libraries Division  
Federal Communications Commission

## EXHIBIT E

**O'HANLON & ASSOCIATES**

808 WEST AVENUE  
AUSTIN, TEXAS 78701  
TELEPHONE (512) 494-9949  
FACSIMILE (512) 494-9919

April 23, 2003

Mr. Walter Steimel  
Greenberg Traurig  
Attorney At Law  
800 Connecticut Avenue, N.W.  
Washington D.C. 20006

Via Facsimile (202) 331-3101

RE: Integrity Communication

Dear Mr. Steimel:

I am in receipt of your letter of April 16, 2003. I cannot agree with your conclusions. My client, the Point Isabel Independent School District, has determined that changes in telecommunications technology have altered their desire to pursue a PBX based telecommunications solution to their telecommunication needs.

The implication made in your April 16, 2003 letter that Avnet has somehow provided secret pricing information to the District is incorrect. The District learned of alternative technological options when it received competitive bids for telecommunication equipment in its E-Rate, Round 6 bidding process. In that process, both Avnet and Integrity submitted competitive proposals to the Point Isabel Independent School District. It was through that competition process that the District learned alternatives to the options submitted by your client. The price offered the District would be significantly less than that submitted in Integrity's Round 5 Proposal.

In our conversation, you expressed a desire to research how Integrity could propose alternative technology and remain within a competitive bidding framework. I have still not heard from you regarding this issue.

Please let me know the result of your research as soon as possible.

Sincerely,



Kevin O'Hanlon